

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

HB 2120 – SB 2634

February 27, 2018

SUMMARY OF ORIGINAL BILL: Enacts the Food Desert Relief Enterprise Program (the Program) to encourage the financing and development of food desert relief enterprises that sell fresh food in low-income, underserved areas of the state. The Program is a pilot program and shall be administered by the Department of Economic and Community Development (ECD). The Program will terminate January 1, 2034, unless extended by the General Assembly.

Establishes the Fresh Food Financing Fund (the 3F Fund). Beginning July 1, 2018, 0.0625 percent of the rate of food retail sales tax imposed by Tenn. Code Ann. § 67-6-228(a) on retail sales of sugar-sweetened beverages shall be deposited in the 3F Fund for the sole use of ECD to fund grants and loans awarded under the Program. The 3F Fund shall consist of gifts, grants, and other donations received by ECD and funds appropriated by the General Assembly. Funds in the 3F fund may be used by ECD for program administration, marketing expenses, and program evaluation; however, such expenses may not exceed two percent of the total amount appropriated for the program in any fiscal year. Money in the 3F Fund does not revert to the General Fund at fiscal year's end, but shall be carried forward into the subsequent fiscal year. Money in the 3F Fund shall be invested by the State Treasurer with any earnings on such investments being invested as well.

Authorizes ECD to make grants and loans from the 3F fund solely for the development of food desert relief enterprises that private industry alone would not otherwise be able to serve, at interest rates lower than would otherwise be obtainable. ECD may only make grants or loans from the 3F Fund to governmental entities, which shall use such proceeds to award grants or loans to food desert relief enterprises. Defines "food desert relief enterprise" as a supermarket or grocery retailer that operates on a self-service basis, having at least fifty percent (50%) of revenue derived from the sale of groceries, produce, meat, baked goods, or dairy products, or a farmers market, in an underserved area. Restricts any one such grant from exceeding \$250,000. Restricts any one loan made by a government entity, to finance a single food desert relief enterprise, from exceeding an aggregate principal amount of \$500,000. Authorizes ECD to invest in, purchase or make commitments to invest in or purchase, and take assignments of loans made by a governmental entity, for the construction, rehabilitation, or purchase of food desert relief enterprises.

Requires ECD to report on the pilot program, no later than February 1 of each year during the existence of the Program, to the Senate Commerce and Labor Committee and the Business and Utilities Committee of the House of Representatives. Such report must include information concerning the amount of each grant or loan authorized, the name of the food desert relief enterprise receiving the benefit of the grant or loan, and the total outstanding grants and loans.

FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue -

\$733,200/Each Year FY18-19 through FY32-33/3F Fund
\$366,600/FY33-34/3F Fund

Decrease State Revenue –

\$733,200/Each Year FY18-19 through FY32-33/General Fund
\$366,600/FY33-34/General Fund

Increase State Expenditures –

\$90,400/FY18-19/General Fund
\$83,200/Each Year FY19-20 through FY32-33/General Fund
\$41,600/FY33-34/General Fund
\$733,200/Each Year FY18-19 through FY32-33/3F Fund
\$366,600/FY33-34/3F Fund

SUMMARY OF AMENDMENT (013034): Deletes all language after the enacting clause. Directs the Tennessee Advisory Commission on Intergovernmental Relations (TACIR) to perform a study of the potential, overall effects of creating a grant and loan program administered by the ECD, to encourage the financing and development of food desert relief enterprises that sell fresh food in low-income, underserved areas of Tennessee. Requires such study to include the benefits and costs of creating a special reserve fund in the State Treasury, to be known as the Fresh Food Financing Fund into which revenue generated from the 0.0625 percent of the rate of food retail sales tax imposed by Tenn. Code Ann. § 67-6-228(a) on retail sales of sugar-sweetened beverages is deposited for the sole use by the departments to fund grants and loans awarded under the program. Requires all state agencies and departments to provide assistance to TACIR upon the request of its executive director. Requires TACIR to seek input from representatives of the supermarket and grocery retailer industry, as well as ECD. TACIR is required to submit a report of its findings of the study and recommendations, including any proposed legislation or interim reports, to the State and Local Government Committees of the Senate, the State Government Committee of the House of Representatives, and the Local Government Committee of the House of Representatives, no later than February 1, 2019.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

NOT SIGNIFICANT

Assumptions for the bill as amended:

- Based on information provided by TACIR, this study can be performed within regular business hours utilizing existing staff; any increase in state expenditures is estimated to be not significant.

- There will be no significant impact to any department in assisting TACIR with the required study.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in dark ink that reads "Krista M. Lee". The signature is written in a cursive, flowing style.

Krista M. Lee, Executive Director

/jdb